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SUBJECT: GUYANA TIMBER INDUSTRY LOOKS TOWARD
SUSTAINABLE FORESTRY, FUTURE

1. SUMMARY: In a bid to achieve recognition for sustainable forestry, the Malaysian/South Korean firm Barama Company Ltd. has received Forest Stewardship Council (FSC) certification, the first of its kind in Guyana. While the FSC label should allow the firm to command higher prices in international markets, questionable enforcement of concession boundaries, controversial labor practices, tension with miners over access to logging roads, and concerns about the long-term value-added continue to challenge Barama and the timber industry as a whole. END SUMMARY.

Hope for the Timber Industry

2. Barama CEO Yaw Chee Ming accepted the FSC designation in a ceremony March 27. The firm collaborated with WWF Guianas and the Swiss verification company SGS to obtain FSC certification, which will allow Barama to market its products as originating in a sustainably managed forest. According to the firm's general manager, Girwar Lalaram, the 570,000 hectare concession--around 37% of the company's 1.6 million hectare concession--is the single largest block of certified tropical forest in the world. The firm is also working towards obtaining Chain of Custody Certification by mid-year.

3. The timber industry offers promise to heavily-forested Guyana. According to the International Tropical Timber Organization (ITTO), forest product exports amounted to US\$48.6 million in 2005, a 12% increase from the previous year. Timber exports accounted for nearly 10% of Guyana's overall exports in 2005, with the primary markets for sawnwood being Barbados, the U.S. and the United Kingdom. India, China, and Vietnam remain the primary markets for logs. With such exports increasing, ITTO predicts Guyana will soon surpass Ecuador as Latin America's largest log exporter.

4. As a result, the sector has seen substantial investment activity. In addition to pursuing FSC designation, Barama commissioned an automated sawmill at Buck Hall, along the Essequibo River, in February and is also contemplating a co-generation plant fueled by wood waste. Barama's strategy has also involved increasing the number of wood species available for cultivation. The firm, which has been operating in Guyana since 1991, was among the first to cultivate baromalli, commonly used for plywood, in addition to the traditional exports of greenheart, purpleheart, and mora. A Canada/Hong Kong venture, Jaling Forest Industries, is also currently ramping up a US\$15 million investment to cultivate timber in Guyana's northwest.

A Faustian Bargain?

5. However, both Barama and the forestry industry at large have been criticized for failing to bring Guyana greater returns, both in currency and jobs. Newspaper editorial pages have been ablaze in recent weeks with allegations that Barama has benefited from secretive tax concessions and fixed royalties, questions that Forestry Commissioner James Singh deflected at a recent press conference. The firm also stated in a March 27 press conference that it had not made a profit in its 15 years of operations, raising questions about the transparency of its accounting practices. Others have criticized Jaling for relying on Chinese workers to service its concession, rather than hiring Guyanese. A third common criticism condemns Barama's arrangements with smaller, third party concessionaires, a practice that increases the firm's holdings in practice but not on paper. The firm's management counters that such arrangements allow smaller concessionaires to access its roads into the interior.

6. These interior roads are also used by the mining

community, which has at times been at odds with the forestry sector. As SGS' certification report notes, "A significant issue in Guyana is mineral exploitation that takes precedence over forestry. If minerals are found in an area, mining takes priority over forestry, leaving no scope for implementing sustainable forest management in the affected areas." While the report found no evidence of mining activity that threatens the area certified by the FSC, such tension could impact the promise of sustainable resource management in other areas where the industries intersect.

17. COMMENT: A more pressing criticism of the forestry industry in Guyana is the relative lack of value-added activity. According to ITTO statistics, only 10% of Guyana's forest product exports in 2005 were in such value-added products as furniture, doors and moldings. Meanwhile, sawnwood amounted to 37% of exports, logs made up an additional 28%, and plywood made up 23%. Local furniture manufacturers consistently complain of the difficulty of obtaining logs in such an export-intensive market. While the step toward sustainable forestry is a positive development, a more robust indicator will be Guyana's success in moving beyond raw timber and sawnwood extraction to more value-added exports. END COMMENT.

BULLEN